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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

11 DECKERS OUTDOOR CORPORATION,)
12 a Delaware Corporation,)

13 Plaintiff,

14 v.

14 BRIGHT TRADING CORP., a California,
15 Corporation; STEVEN CHENG an
16 individual; DIAMOND FOOTWEAR
17 INC., a California Corporation; SHIRLEY
18 CHENG, an individual and DOES 1-10,
19 inclusive,

20 Defendants.

CASE NO. 2:14-CV-00198-JAK

PLAINTIFF DECKERS OUTDOOR
CORPORATION'S
MEMORANDUM OF POINTS AND
AUTHORITIES IN OPPOSITION
TO DEFENDANTS' MOTION TO
DISMISS

Date: Monday, April 21, 2014
Time: 8:30 a.m.
Courtroom: 750 - Roybal

Hon. John A. Kronstadt

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Defendants' Rule 12(b)(6) Motion to Dismiss is based entirely on the mistaken notion that the individual Defendants are not personally liable for infringement without pleading "alter-ego" or piercing of the corporate veil. Indeed, while Defendants have moved to dismiss all claims against individual Defendants Steven Cheng and Shirley Cheng, Defendants only address individual liability on Plaintiff Deckers Outdoor Corporation's ("Deckers") patent claim in its moving papers. Nonetheless, Deckers has properly pled all claims to establish liability as against both the Defendant corporations as well as the individual Defendants.

Deckers has pled that the individual Defendants are "*officers, members, directors, and/or managing agents*" of the Defendant corporations and were the "*active, moving, conscious force[s]*" behind the alleged infringing activities. Furthermore, Deckers has pled that Defendants' infringing activities were "*deliberate,*" "*willful*" and "*intended*" to cause confusion. Such allegations are sufficient to withstand a motion to dismiss. Unlike a breach of contract matter in which individual liability of an officer is only established where they are the alter-ego of the corporation, infringement of another's intellectual property is a tort and any *individual* can be liable, regardless of considerations of the corporate form.

Based on the foregoing, Deckers respectfully requests that this Court deny Defendants' Motion to Dismiss. In the event Defendants' motion is granted, Deckers is entitled to leave to amend.

II. STATEMENT OF FACTS

On January 9, 2014, Deckers filed the Complaint in the present action against Defendants Bright Trading Corp., Diamond Footwear, Inc., Shirley Cheng, and Steven Cheng for Trade Dress Infringement, False Designations of Origin, Patent Infringement, and Unfair Competition under federal and common law. Deckers made, in pertinent part, the following allegations:

Deckers has become well known throughout the United States and elsewhere as a source of high quality footwear products identified at least by its UGG® brand of premium footwear. (Complaint, ¶ 11) Some of the more widely recognized styles within the UGG® family of sheepskin boots are the “Bailey Button” styles. The Bailey Button styles (examples of which are shown below) are characterized, *inter alia*, by

- Classic suede boot styling made famous by the UGG brand;
- Overlapping of front and rear panels on the lateral side of the boot shaft;
- Curved top edges on the overlapping panels;
- Exposed fleece lining edging the overlapping panels and top of the boot shaft; and
- One or more buttons (depending on the height of the boot) prominently featured on the lateral side of the boot shaft adjacent the overlapping panels.

(hereinafter “Bailey Button Boot Trade Dress”). (Complaint, ¶ 13)



Introduced in 2009, the Bailey Button Boot Trade Dress has continuously appeared on UGG® boots, which have been featured on Deckers’ advertising and promotional materials as well as in the trade publications set forth above. (Complaint, ¶ 17) Deckers has extensively used and promoted the Bailey Button Boot Trade Dress such that it is closely identified with the UGG® brand and has gained widespread public recognition. (Complaint, ¶ 18)

1 Many of Deckers' UGG® footwear designs, including those with the Bailey
 2 Button Boot Trade Dress, are also protected by design patents issued by the United
 3 States Patent and Trademark Office. Design Patents for UGG® Bailey Button Boot
 4 styles include, but are not limited to, U.S. Patent Nos. D599,999 for the "Bailey Button
 5 Single" boot (registered on September 15, 2009) and D616,189 for the "Bailey Button
 6 Triplet" boot (registered on May 25, 2010) (hereinafter "Bailey Button Design
 7 Patents"). (Complaint, ¶ 20, Ex. 1) Deckers is the lawful assignee of all right, title,
 8 and interest in and to the Bailey Button Design Patents. (Complaint, ¶ 21)

9 Plaintiff's claims are based upon Defendants' manufactured, design,
 10 advertisement, marketing, distribution, offering for sale, and/or sale of footwear that
 11 infringe upon Plaintiff's Bailey Button Boot Trade Dress and Bailey Button Design
 12 Patents ("Infringing Products"). (Complaint, ¶ 22) Defendant Bright Trading Corp.
 13 advertises, offers for sale, and sells footwear, including the Infringing Products, at its
 14 store, located at 9844 E. Rush Street, South El Monte, California 91733. (Complaint, ¶
 15 23) Defendant Diamond Footwear Inc. is the designer, manufacturer, and/or supplier
 16 of the Infringing Products in question and has engaged in the offering for sale and/or
 17 sale of Infringing Products to various wholesalers and retailers, including Defendant
 18 Bright Trading Corp. (Complaint, ¶ 25)

19 With respect to the individual Defendants, Deckers has alleged that Defendants
 20 Steven Cheng and Shirley Cheng are "***officers, members, directors, and/or managing***
 21 ***agents***" of Bright Trading Corp. and Diamond Footwear, Inc., respectively, and are the
 22 "***active, moving, conscious forces behind the infringing activities alleged***" in the
 23 Complaint. (Complaint, ¶¶ 6, 8, 26) Deckers has not granted a license or any other
 24 form of permission to Defendants with respect to the Bailey Button Boot Trade Dress
 25 and/or the Bailey Button Design Patents. (Complaint, ¶ 27)

26 Finally, Deckers alleges that Defendants' acts "had knowledge of Deckers'
 27 rights to the Bailey Button Boot Trade Dress and its Bailey Button Design Patents,"
 28

1 and that its infringing acts were “deliberate” and “intended to cause confusion, or to
2 cause mistake, or to deceive” consumers. (Complaint, ¶¶ 28 - 30, 57, 67, 74 - 78)

3 **III. LEGAL STANDARD ON A MOTION TO DISMISS**

4 It is well established that 12(b)(6) motions are disfavored and rarely granted.
5 [Kaisar Aluminum & Chemical Sales, Inc. v. Avondale Shipyards, Inc., 677 F.2d
6 1045, 1050 (5th Cir. 1982); U.S. v. Redwood City, 640 F.2d 963, 966 (9th Cir. 1981)]
7 The issue on a Motion to Dismiss for failure to state a claim is not whether a claimant
8 will ultimately prevail but whether the claimant is entitled to offer evidence to support
9 the claims asserted. [Gilligan v. Jamco Development Corp., 108 F.3d 246, 249 (9th
10 Cir. 1997)] The accepted rule is that a complaint is not to be dismissed “unless it
11 appears beyond doubt that the plaintiff can prove no set of facts in support of his claim
12 which would entitle him to relief.” [Coney v. Gibson, 355 U.S. 41, 45-46 (1957);
13 Russell v. Laundries, 621 F.2d 1037, 1039 (9th Cir. 1980)]¹

14 In making this determination, all factual allegations are to be taken as true and
15 construed in the light most favorable to the non-moving party. [Levine v.
16 Daimanhuset, Inc., 950 F.2d 1478, 1482 (9th Cir. 1991); Leatherman v. Tarrant
17 County Narcotics and Coordination Unit, 507 U.S. 163 (1993)] Complaints and any
18 ambiguities contained therein are construed in the favor of plaintiff. [Parks School of
19 Business, Inc. v. Symington 51 F.3d 1480, 1484 (9th Cir. 1995); International Audio
20 Text v. AT&T, 62 F.3d 69, 72 (2nd Cir. 1995)] Courts must assume that all general
21 allegations “embrace whatever specific facts might be necessary to support them”.
22 [Peloza v. Capistrano Unified, 37 F.3d 517, 521 (9th Cir. 1994), cert. denied 515 U.S.

23
24 ¹ Rule 12(b)(6) must be read in conjunction with Rule 8(a) which requires a “short and plain
25 statement of the claim showing that the pleader is entitled to relief. The notice pleading standard set
26 forth in Rule 8 establishes a powerful presumption against rejecting pleadings for failure to state a
27 claim. [Sebastian International v. Russolillo, 186 F.Supp. 2d 1055, 1063 (CD Cal. 2000)] Under this
28 standard, “a complaint will be deemed inadequate only if it fails to (1) provide notice of the
circumstances which give rise to the claim, or (2) set forth sufficient information to outline the
elements of the claim or permit inferences to be drawn that these elements exist.” [Gen. Star. Indem.
Co. v. Vesta Fire Ins. Corp., 173 F.3d 946, 950 (5th Cir.1999)]

1 1173 (1995)] Dismissal pursuant to Rule 12(b)(6) is proper only when there is either
 2 “a lack of a cognizable legal theory or the absence of sufficient facts alleged under a
 3 cognizable legal theory.” [Balistreri v. Pacifica Police Dep’t, 901 F.2d 696 (9th Cir.
 4 1990)] However, a party need not state the legal basis for his claim, only the facts
 5 underlying it. [McCalden v. California Library Ass’n, 955 F.2d 1214, 1223 (9th
 6 Cir.1990)]

7 **IV. DECKERS PROPERLY MEETS THE PLEADING STANDARDS FOR**
 8 **ALL CLAIMS, THEREFORE DEFENDANTS’ MOTION TO DISMISS**
 9 **SHOULD BE DENIED**

10 Defendants request the dismissal of all claims against the individual Defendants,
 11 Steven Cheng and Shirley Cheng. [Motion to Dismiss (“Motion”) 3:17-18] However,
 12 Defendants’ Motion is devoid of any argument concerning any claims other than
 13 design patent infringement. That being said, Deckers clearly meets the pleading
 14 requirement standard as it applies to all claims alleged. Contrary to Defendants’
 15 contentions, there is no per-se requirement of piercing the corporate veil or alleging an
 16 alter-ego. [Motion 2:13-18] It is well-settled in the Ninth Circuit that a “corporate
 17 officer or director is, in general, personally liable for all torts which he authorizes or
 18 directs or in which he participates, notwithstanding that he acted as an agent of the
 19 corporation and not on his own behalf.” [Transgo, Inc. v. Ajac Transmission Parts
 20 Corp., 768 F.2d 1001, 1021 (9th Cir. 1985)]

21 **A. Deckers Has Alleged Facts Sufficient to State a Claim Against the**
 22 **Individual Defendants on its Lanham Act Claims**

23 In the context of infringement, corporate officers “are personally liable for the
 24 corporation’s copyright and trademark infringements when they are a ‘moving, active
 25 conscious force’ behind the corporation’s infringement.” [Novell, Inc. v. Unicom
 26 Sales, Inc., 2004 WL 1839117, *17 (N.D.Cal., 2004); Chanel, Inc. v. Italian
 27 Activewear of Florida, Inc., 931 F.2d 1472, 1477-78 (11th Cir., 1991) (individual may
 28 be held liable for Lanham Act violations if she has “actively caused infringement as a

moving, conscious force”); Chloe v. DesignersImports.com USA, Inc., 2009 WL 1227927, at *11 (S.D.N.Y. Apr. 30, 2009) (“[T]he individual liability of a corporate officer for [her] participation in unlawful conduct is distinct from any issues of piercing the corporate veil.” (internal quotation marks and citation omitted)).]

“Because ‘[t]he owner of a trademark is entitled to protection against all who play a significant role in accomplishing an unlawful infringement,’ any person ‘participating in the unlawful infringement of a trademark may be liable even though merely acting as [an] officer[] of a corporation.’ [JTH Tax, Inc. v. Gouneh, 721 F.Supp.2d 132, 140 (N.D.N.Y., 2010) citing Burberry Ltd. v. Euro Moda, Inc., 2009 WL 1675080, at *17 (S.D.N.Y. June 10, 2009) (internal quotation marks and citations omitted); see also 15 U.S.C. § 1125]

With respect to the individual Defendants, Deckers has alleged that Defendants Steven Cheng and Shirley Cheng are “*officers, members, directors, and/or managing agents*” of Bright Trading Corp. and Diamond Footwear, Inc., respectively, and are the “*active, moving, conscious forces behind the infringing activities alleged*” in the Complaint. (Complaint, ¶¶ 6, 8, 26) These allegations are sufficient to state a cause of action against said individual Defendants. Indeed, courts have routinely denied motions to dismiss where similar allegations, without more, were pled. [See e.g. Riverdeep Interactive Learning, Ltd. v. MPS Multimedia, Inc., 2006 WL 3797962 (N.D. Cal. Dec. 22, 2006); Best of Everything of Sw. Florida, Inc. v. Simply the Best, LLC, 2011 WL 4634147 (M.D. Fla. Oct. 6, 2011); JTH Tax, Inc. v. Gouneh, 721 F.Supp.2d 132, 140 (N.D.N.Y., 2010)]

In Riverdeep, the court denied defendants’ motion to dismiss claims of trademark infringement for failure to state a claim against an individual defendant where both the corporation and individual were named. [Riverdeep Interactive Learning, Ltd. v. MPS Multimedia, Inc., 2006 WL 3797962 (N.D. Cal. Dec. 22, 2006)] In Riverdeep, even though the plaintiffs’ allegations concerning individual liability of the corporation’s officer was confined to a single paragraph: “*Chen, as MPS’ President*

1 *and CEO, directs, controls and ratifies the actions of MPS including the unlicensed*
 2 *and unauthorized replication and distribution of Riverdeep software,”* the Court
 3 nonetheless denied Defendants’ motion to dismiss and held that the plaintiffs had
 4 alleged sufficient facts to state a claim against said officer. (*Id.* at *5; citing to Novell)

5 Similarly, in Best of Everything, the court denied an analogous motion to
 6 dismiss for failure to state a claim against an individual where a corporation and
 7 individual were both charged with trademark infringement. [Best of Everything of Sw.
 8 Florida, Inc. v. Simply the Best, LLC, 2011 WL 4634147 (M.D. Fla. Oct. 6, 2011)] In
 9 Best of Everything, the plaintiff had alleged that a relationship existed between the
 10 individual Defendant and the corporation, and the Court held that “[t]he precise nature
 11 of Weinzimmer’s relationship with Simply the Best is a discoverable fact, and should
 12 the discovery process reveal that Weinzimmer was not a moving, conscious force
 13 behind the alleged infringement, Defendants may raise the issue in a motion for
 14 summary judgment.” [*Id.* at *2]

15 Deckers has alleged sufficient facts to state a claim against the individual
 16 Defendants for its Lanham Act claims. Defendants have not provided any authority or
 17 legal argument in its brief to support dismissal of said claims against the individual
 18 defendants.

19 **B. Deckers Has Alleged Facts Sufficient to State a Claim for Unfair**
 20 **Competition Against The Individual Defendants**

21 Similar to trademark infringement, “a corporate officer may be held personally
 22 liable for trademark infringement *and unfair competition* if the officer is a moving,
 23 active conscious force behind the defendant corporation’s infringement.” (Cartier v.
 24 Aa-ron Faber, Inc., 512 F.Supp.2d 165, 170 (S.D.N.Y.2007) (emphasis) (citations
 25 omitted)] Again, Defendants have not put forth any legal authority or arguments to
 26 support dismissal of these claims against the individual Defendants.

C. Deckers Has Alleged Facts Sufficient to State a Claim for Patent Infringement Against The Individual Defendants

This is the only claim in which Defendants have offered any legal argument to support its position for dismissal of the individual Defendants, maintaining that Deckers must allege an alter-ego theory to establish liability against said individuals. [Motion 4:4-28] However, as discussed above, “corporate officers are also liable for the tort of patent infringement under 35 U.S.C. § 271 where the officer has an ‘active directing hand in full charge of its operations.’” [Wordtech Systems, Inc. v. Integrated Network Solutions, Corp., 2009 WL 3246612, *1 (E.D.Cal.,2009) (where Court, on application for default judgment, held that corporate officer was personally liable where plaintiff had alleged that said individual was an officer and owner of defendant corporation and was individually involved in the infringement of the patents-in-suit) citing to Int’l Mfg. Co. v. Landon, Inc., 336 F.2d 723, 728 (9th Cir.1964) (patent infringement case)]

35 U.S.C. § 271(b) provides that “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” [35 U.S.C. §271(b)] Under this section, corporate officers who actively assist with their corporation’s infringement may be personally liable for inducing infringement *regardless* of whether the circumstances are such that a court should disregard the corporate entity and pierce the corporate veil. [Orthokinetics, Inc. v. Safety Travel Chairs, Inc., 806 F.2d 1565, 1578–79, 1 USPQ2d 1081, 1090 (Fed.Cir.1986); White v. Mar-Bel, Inc., 509 F.2d 287, 292–93, 185 U.S.P.Q. 129, 132–33 (5th Cir.1975) (officer was “moving force which resulted in the manufacture of the accused device”); International Manufacturing Co. v. Landon, Inc., 336 F.2d 723, 728–29, 142 U.S.P.Q. 421, 425–26 (9th Cir.1964) (officer or “alter ego” was “moving, active conscious force behind [corporation’s] infringement” and “is therefore subject to personal liability without regard to whether [the corporation] is his alter ego”); Bewal, Inc. v. Minnesota Mining & Manufacturing Co., 292 F.2d 159, 167,

1 129 USPQ 440, 446 (10th Cir.1961) (corporate officer “aided, participated in,
2 approved, ratified and induced” infringement by corporation)]

3 Indeed, Courts have denied motions to dismiss where the exact, or very similar,
4 allegations were pled. [See e.g. E Clampus Vitus v. Steiner, 2013 WL 4431992, *6
5 (E.D.Cal., 2013) (motion to dismiss denied where the plaintiff alleged sufficient facts
6 that demonstrate that the individual defendants acted “*knowingly, intentionally and*
7 *deliberately*” on behalf of the corporate Defendant.); American Technical Machinery
8 Corp. v. Masterpiece Enterprises, Inc., 235 F.Supp. 917, 918 (D.C.Pa. 1964) (motion
9 to dismiss denied where complaint contained allegations that individual defendant was
10 “moving, active, conscious force behind infringement” of patent)]

11 Deckers’ Complaint alleges that the individual Defendants are “*officers,*
12 *members, directors, and/or managing agents*” of the Defendant corporations and that
13 they were the “*active, moving, conscious forces behind the infringing activities*
14 *alleged.*” (Complaint, ¶¶ 6, 8, 26) Deckers further alleges that Defendants acted
15 intentionally in order to trade off Deckers’ goodwill and to cause confusion. (See
16 Complaint, ¶¶ 28 - 30, 57, 67, 74 - 78) Such allegations, which are to be taken as true
17 in the evaluation of the present motion, are sufficient to maintain causes of actions
18 against these individual Defendants without regard to the corporate veil.

19 Ultimately, Defendants’ prognostications on the pleading requirements
20 surrounding §271(a) are full of sound and fury, but signify nothing. The fact that
21 Deckers does not plead alter-ego nor piercing the corporate veil is of no consequence.
22 As to the inquiry regarding the level of involvement of Defendants in the infringing
23 activities, this is clearly an issue of fact in dispute to be determined at a later state after
24 sufficient discovery has been conducted.

25 **V. DECKERS SHOULD BE GRANTED LEAVE TO AMEND IN THE**
26 **EVENT DEFENDANTS’ MOTION IS GRANTED**

27 As discussed above, Deckers has alleged facts sufficient to sustain all causes of
28 action against Defendants, and thus withstand Defendants’ Rule 12 Motion. However,

in the event that this Court requires additional allegations that support Plaintiff's claims, leave to amend should be granted. Dismissal without leave to amend is improper unless it is clear that the complaint could not be saved by any amendment." [Schreiber Distrib., Co. v. Serv-Well Furniture Co., 806 F.2d 1393, 1401 (9th Cir.1986) ("If a complaint is dismissed for failure to state a claim, leave to amend should be granted unless the court determines that the allegation of other facts consistent with the challenged pleading could not possibly cure the deficiency."); Harris v. Amgen, Inc., 573 F.3d 728, 737 (9th Cir. 2009) (internal quotation marks omitted)]

VI. CONCLUSION

Based on the foregoing, Plaintiff Deckers Outdoor Corporation hereby respectfully requests that this Court DENY Defendants' Motion in its entirety. In the event this Court is persuaded by Defendants' arguments, Deckers requests that this Court grant leave to amend

Dated: March 31, 2014

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